MAPLE LEAF MILLS LIMITED
ANNUAL REPORT
1975

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Today, in contrast, flour milling has become a highly complex and automated industry.

Cover Illustration

A conscientious miller of the early 18th century "dressed" his millstones frequently to maintain fine flour quality and steady production. His craft is depicted on our cover along with an authentic delineation of a country grist mill of the time.

Our 18th century motif was selected to highlight Maple Leaf's reaction to today's greater interest in nutrition and the demand for whole wheat products. In response to this demand, the Company has installed stone grinding systems in some of its mills and is marketing a new Stone Ground flour.

In addition, Corporate Foods Limited has introduced its new 100% Stone Ground Whole Wheat bread marketed under the Dempster label.

MAPLE LEAF MILLS LIMITED ANNUAL REPORT TO SHAREHOLDERS

for the Year ended December 31, 1975

DIRECTORS

R. G. Dale
J. A. Geller
J. D. Leitch
F. H. Logan
G. M. MacLachlan
J. A. McCleery
B. A. Norris
L. J. Risi, Jr.
J. H. Taylor
R. W. Wadds
M. D. Weiner

OFFICERS

President and Chief Executive Officer

R. G. Dale

Senior Vice-Presidents

H. W. Blakely	Planning
W. E. Paterson	Corporate Services
P. W. Strickland	International Operations & Development
J. A. Telfer	Domestic Operations & Development

Vice-Presidents

G. F. Allan	Flour
J. W. MacDonald	Grocery Products
G. S. MacDonell	Agriculture
S. A. Miller	Labour Relations
W. G. Milliken	Vegetable Oil
C. L. Turner	Grain
J. J. Wigle	Finance

Financial

D. D. Brown	Controller
P. Kriwoy	Assistant Secretary
R. E. Lennox	Secretary-Treasurer

HEAD OFFICE

417 Queen's Quay West
Toronto, Ontario M5V 1A2

TRANSFER AGENT and Registrar

Crown Trust Company
Toronto and Montreal

ASSOCIATED BAKERIES

President and Chief Executive Officers

N. T. Currie	Corporate Foods Limited
D. Devine	McGavin ToastMaster Limited
D. G. Hickingbottom	Eastern Bakeries Limited

President's Letter

To the Shareholders:

Sales and operating revenues continued at a high level in 1975 and our earnings were the best in the Company's history.

A concerted effort was made during the past year to improve both the quality of our earnings and the Company's product mix. While this resulted in lower volume in some areas of our operations, the reduction was more than offset by greater efficiency and improved productivity in other segments of our business. Certain organizational changes that are now being implemented will result in further improvement over the next few months.

The year 1975 was one of significant progress for Maple Leaf as the Agricultural, Grain and Grocery Products Divisions completed new and modern plants in Ontario which are all operating satisfactorily. In addition a new feed plant owned jointly by the Company and L.K. Ranches Ltd. was officially opened in Bassano, Alberta.

In late 1975 an agreement was reached to acquire the Calgary flour mill and bulk bakery mix business of Pillsbury Canada Limited. The purchase was recently approved by the Federal Government. This acquisition was a most important step for the Flour Division as it will increase its flour milling capacity and strengthen its operations in one of the fastest growing markets in Canada.

Another highlight of the year was the successful completion of negotiations with Lever Brothers Limited to form an equal partnership which will build a new vegetable oil mill and refinery in Southwestern Ontario.

The cost of the new plant, which will be the largest of its kind in Canada, is expected to be $37 million. The new joint venture will operate under the name Maple Leaf Monarch Company.

The Company's International Division has continued to make good progress and plans to build flour mills at two new locations in the Caribbean are proceeding satisfactorily.

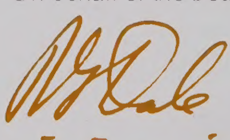
The prospects for the year ahead are clouded by Canada's continuing economic problems and the overall attempt to bring inflation under control. The Anti-Inflation Regulations and Labour's apparent mistrust of the Government's program has created many uncertainties for Canadian Business.

Under these conditions it is not easy to forecast continued growth and improved earnings in all our operations for the immediate future. However we are hopeful that the program to contain inflation will be successful and the Company intends to support it fully.

It was recently announced that Norin Corp., a public company in the United States, 52% of which is owned by Norris Grain Company, had acquired the 74% controlling interest in Maple Leaf Mills Limited from the Norris Grain Company. This re-alignment of ownership will not result in any change in the operations or objectives of the Company. The three senior officers of Norin Corp. have been Directors of Maple Leaf for several years.

The Corporate Mission of Maple Leaf Mills has been summed up by the phrase "Nutrition is our Business", and there is no doubt that nutrition in its broadest sense is receiving more and more attention from consumers and governments, both domestically and internationally. For this reason we feel that the opportunities for the future development and expansion of our businesses are great, and with the commitment of our people at every level of the Company we are confident that we can successfully meet the challenges of the next few years.

On behalf of the Board of Directors



Robert G. Dale
President & Chief Executive Officer

April 16, 1976

Financial Highlights



Top left to right:
J. J. Wigle
J. A. Telfer
W. E. Paterson

Bottom left to right:
H. W. Blakely
P. W. Strickland


Sales and Earnings

In 1975, grain prices moderated from the record levels of 1974. As a result, the sales value of grain, vegetable oil and agricultural products declined by $26 million. The sales value of flour, grocery and bakery products increased by $28 million due mainly to price increases required to recover increased costs.

Record earnings were achieved by our Grain and Vegetable Oil Divisions while our other Divisions maintained earnings at approximately their 1974 levels. Maple Leaf's share in the net earnings of its three associated bakeries (Corporate Foods, Eastern Bakeries and McGavin ToastMaster) reached a record level of $1.5 million up from $.9 million in 1974.

Return on Equity

The return on average shareholders' equity was 14.6% compared with 12.9% in 1974 and equalled our previous best performance in 1973. It is in large measure because of this improved return on equity that the Company is able to confidently undertake the capital projects referred to elsewhere in this Annual Report.

Financial Position

The Company's expansion and relocation plans involve capital expenditures of $30 million over the next three to four years. In anticipation of these requirements, the Company issued $20 million of 20-year sinking fund debentures during the year. The proceeds of this issue, our strong earnings in recent years and the proceeds for the Company's expropriated Toronto Queen's Quay property, have placed the Company in a sound financial position to carry out these plans.

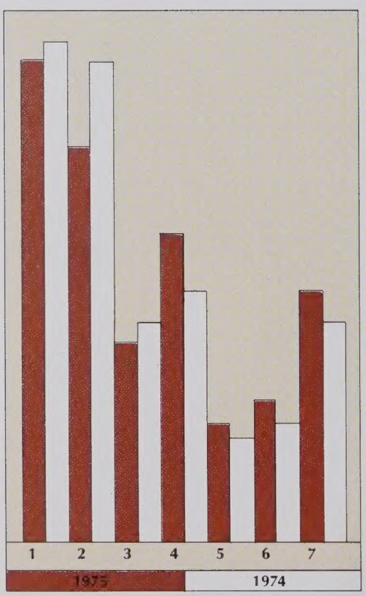
The moderation of grain prices during 1975 resulted in lower receivables and inventories, and was a significant factor both in the improved liquidity of the Company and in lower interest costs.

R. G. Dale and F. H. Logan shown at formal closing of the $20 million Sinking Fund Debenture issue.

Dividends

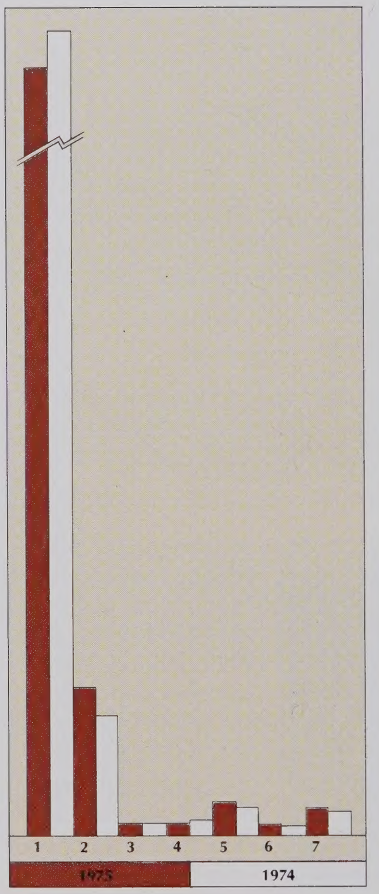
Dividends totalling $2.00 per share were declared during the year compared with $1.70 in 1974. Anti-Inflation Regulations preclude any increase in this rate during the year ending October 13, 1976. It is our policy that our shareholders should participate in the earnings growth of the Company.

Sales, Revenues and Cash Flow



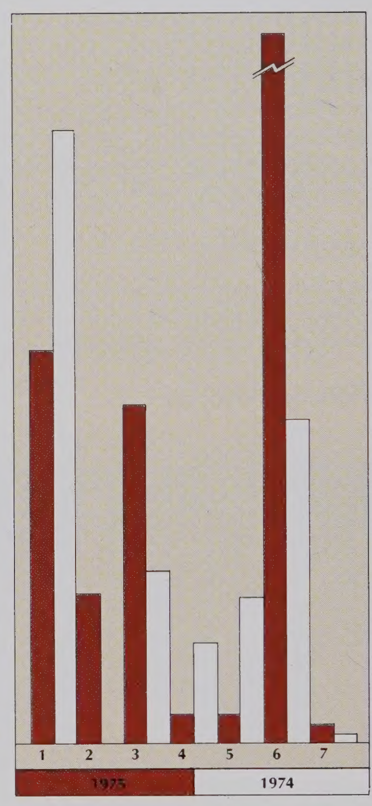
Divisional Sales and Revenues

	1975 %	1974* %
1. Animal and poultry feeds, poultry products, seeds	25.6	26.4
2. Grain commodity and merchandising sales	20.9	25.4
3. Vegetable oil products and commodity sales	10.3	11.7
4. Domestic and export bakery flour products	16.1	13.3
5. Consumer flour and grocery products	6.2	5.4
6. International grain sales and services	7.6	6.1
7. Bread and baked products	13.3	11.7
	100.0	100.0



Distribution of Revenues

	1975 %	1974* %
1. Raw material, operating, selling and administration expenses	85.4	87.6
2. Salaries and wages	9.6	8.0
3. Depreciation	.6	.6
4. Interest	.6	.8
5. Income taxes	1.8	1.4
6. Dividends to shareholders	.6	.5
7. Retained earnings	1.4	1.1
	100.0	100.0

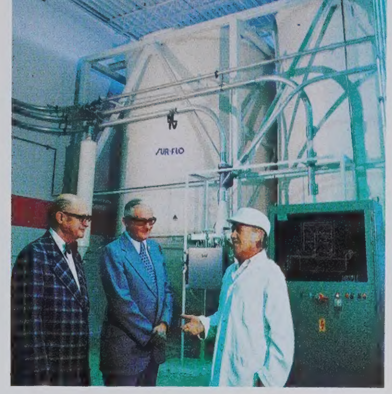


Use of Cash Flow

	1975 %	1974 %
1. Property and equipment	23.2	36.2
2. Dividends to shareholders	8.7	19.9
3. Retirement of preference shares	--	10.0
4. Repayment of long-term debt	1.6	5.8
5. Investments	1.6	8.5
6. Increase in working capital	63.9	19.0
7. Other	1.0	.6
	100.0	100.0

*The 1974 percentages have been restated to reflect the change in accounting presentation of sales.

Domestic Operating Report



Customer, technical and engineering services being provided by the Flour Division personnel.

Newly constructed Guelph dry pet food plant.

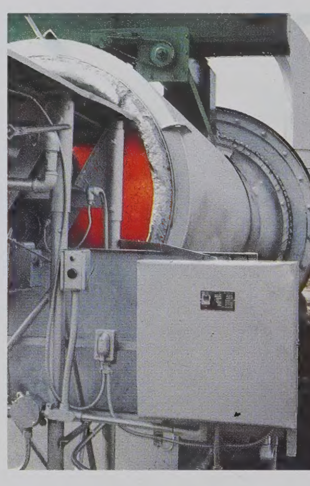
Flour Division

The Flour Division's earnings in 1975 were about 2% below 1974. Price increases introduced during the year were barely sufficient to offset increased wheat costs applicable to export sales, the rapid inflation rate of operating costs and lower values for flour milling by-products. Earnings, however, have improved steadily since 1971 reaching a level in 1974 and 1975 which represents a much needed increase in the return on our investment in flour milling operations.

The quality of the 1974-75 wheat crop posed numerous challenges to us as we endeavoured to maintain the best possible standards in our products and to assist our customers in adapting their procedures to maintain the acceptability of their own products. Our policy of providing our customers with realistic technical and engineering services stood us in good stead under these conditions.

The outlook for export flour sales continues to be uncertain. The Canadian Government has not supported the Canadian flour milling industry with subsidy programs to the same extent as have the governments of most other flour exporting countries. Also the export price for Canadian wheat, which is set by the Canadian Wheat Board, has not always been competitive. Under these circumstances, it is very difficult to build an export business having reasonable prospects for success over the long run. In spite of these problems, 1975's volume was about the same as in 1974 and the 1976 volume should be good provided the Government maintains its subsidy on export freight rates for export flour shipments.

A highlight of the year was reaching an agreement providing for acquisition from Pillsbury Canada Limited of their Calgary flour mill. We plan to extensively modernize and upgrade this mill to its 10,000 cwt. per day rated capacity. The additional milling capacity, situated in the fast-growing Alberta/British Columbia market, provides a broader base for our future growth in this most important region. Maple Leaf will integrate its Calgary flour production with this newly-acquired mill.



Above: New Belton country elevator, farm supply, alfalfa dehydration plant and opening ceremonies.

R. G. Dale and R. W. Bates at conclusion of Lever Brothers negotiations.

Grocery Products Division

The Grocery Division's 1975 earnings were about 7% below the record attained in 1974. Unit sales volume in 1975 was about the same as in 1974.

The strong growth trend, since 1972, for Jolly Miller drink crystals slowed during the year as the high price of sugar reduced consumer demand for such products. However, new products in our beverage product category should make it possible to resume our overall growth pattern in this market segment.

Late in 1975, the newly constructed dry pet food plant in Guelph, Ontario went into production. This new facility provides sufficient manufacturing capacity to support national distribution of our dog food products. Previously, we were restricted to the Ontario market due to insufficient manufacturing capacity. This new facility will provide the opportunity for significant growth and development of this most important product category.

Grain Division

The Grain Division's 1975 earnings were up about 22% over 1974. This earnings growth was mainly attributable to the excellent Ontario crops of corn, wheat and soybeans. Also, the opening of our new country elevator at Belton, Ontario in time to participate in the 1975 harvest was a major contributor.

The outlook for the merchandising of Western feed grains in Eastern Canada is clouded by the vacillating policies of the Federal Government. Until our national priorities are clearly known and understood, it will be difficult to achieve an orderly development in this segment of our grain operations.

New Cavan feed plant and opening ceremonies.

New Bassano joint venture feed plant.

We continue to place a high priority on the expansion and upgrading of our network of country elevators in Ontario so that we can increase our participation in the marketing of this province's expanding grain crops.

Vegetable Oil Division

The Vegetable Oil Division's 1975 earnings were a record for the Division. Strong crushing margins throughout the year, together with a turnaround in the International Trading operations, accounted for this excellent earnings performance.

The most significant event for the future development of our Vegetable Oil business was the formation on January 20, 1976 of an equal partnership with Lever Brothers Limited to build and operate what will be the largest vegetable oil mill and refinery in Canada. This new facility, to be located in Southwestern Ontario, will have sufficient capacity to process 360,000 tons of soybeans and 87,000 tons of soft seeds annually. The strategic location of this plant near the soybean growing area and close to the largest animal and poultry feeding region in Canada provides an excellent opportunity for future earnings growth.

Agricultural Division

Agricultural Division's earnings in 1975, in spite of unfavourable market conditions for some products, were equal to the level of 1974.

Poultry operations had a successful year as the demand for chicken broilers was strong due to high prices for pork. Seed operations had a poor year following their excellent results in 1974, as excessive seed stocks in the industry squeezed margins severely.

The new feed plant at Cavan, Ontario which is one of the most modern in North America, commenced production at the end of the year, as scheduled. This new facility has been strategically located to improved our level of service to our customers in Eastern Ontario.

International Operating Report

Trinidad milling operations.

Haitian children enjoying Arlequin brand spaghetti.

Haiti flour mill.

1975 was a year of negotiation for expansion by the International Division, particularly in the Caribbean.

In partnership with the Government of Barbados, we are now in the advanced stages of establishing a company to build and operate a flour mill and terminal elevator complex. Maple Leaf will have a 40% equity in this venture as well as a management contract.

Plans for another flour mill in the East Caribbean area are also being formulated.

In Haiti, La Minoterie d'Haiti operated at a break-even point for the first nine months of its fiscal year ending May, 1975, resulting in improved but lower than normal earnings. Earnings since June, 1975 have reached a record high and will be reflected in our 1976 annual results.

Arlequin Food Products, also in Haiti, continued to develop slowly realizing a small profit for the first time.

In Trinidad, National Flour Mills Limited earnings were not as high as expected due to Government price controls on flour. We anticipate an improvement in this situation in 1976.

During 1975, a Commodities Merchandising Department was set up to procure, sell, and ship proteins and grains, internationally. While transactions to date have been minimal, this Department should expand rapidly.

Bakery Operating Report

Automated baking processes.

100% Stone Ground Whole Wheat Bread.

w Eastern Bakeries Limited distribution depot.

The earnings of our associated bakery companies in total showed significant improvement in 1975.

Eastern Bakeries Limited continued their program to improve productivity and efficiency in all their operations in the Maritimes and Newfoundland and showed encouraging growth in sales and earnings. During the year, a new distribution depot and head office was opened in the city of Saint John, N.B.

Corporate Foods Limited reported satisfactory improvement in sales and earnings during 1975, which underlines the success of their re-organization and capital investment program of the last few years. Corporate Foods has also been particularly successful in their development of new bakery products of high nutritional value. In this regard, Earth Bread and the new 100% Stone Ground Whole Wheat bread are experiencing wide consumer acceptance.

The overall results of McGavin ToastMaster Limited were adversely affected in 1975 by serious labour problems and strikes in the food industry in the Vancouver area, which later resulted in a Government imposed price freeze. Operations now appear to have returned to normal. During the year, McGavin opened a new modern bakery at Langley, B.C. which completed their consolidation of production facilities in the province.

Consolidated Financial Statements

December 31, 1975

Auditors' Report

To the Shareholders of
Maple Leaf Mills Limited:

We have examined the consolidated balance sheet of Maple Leaf Mills Limited and its subsidiaries as at December 31, 1975 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the change in accounting presentation, with which we concur, as set out in note 2 to the financial statements.

Toronto, Canada,
March 5, 1976.

Clarkson, Gordon & Co.
Chartered Accountants

Consolidated statement of earnings

for the year ended December 31, 1975

	1975	1974
	(000's omitted)	
Sales and revenues:		
Sales and operating revenues (note 2)	$520,584	$518,666
Interest and other investment income	2,350	2,839
Other income	258	491
	523,192	521,996
Costs and expenses:		
Cost of sales and operating expenses (note 2)	467,864	473,165
Selling and administrative expenses	29,341	26,160
Depreciation (note 1)	3,353	3,339
Interest on bankers' advances and notes	1,292	3,311
Interest on long-term debt	1,769	862
Minority interest	747	330
	504,366	507,167
Earnings before income taxes and equity in net earnings of joint ventures	18,826	14,829
Income taxes (note 6)	9,300	7,166
Earnings before equity in net earnings of joint ventures	9,526	7,663
Equity in net earnings of joint ventures	839	718
Net earnings for the year	$ 10,365	$ 8,381
Net earnings per common share	$6.45	$5.19

Consolidated statement of retained earnings

	1975	1974
Retained earnings at beginning of year	$61,531	$55,919
Net earnings for the year	10,365	8,381
	71,896	64,300
Dividends:		
Preference shares		50
Common shares	3,203	2,719
	3,203	2,769
Retained earnings at end of year	$68,693	$61,531

Consolidated statement of changes in financial position
for the year ended December 31, 1975

	1975	1974
	(000's omitted)	
Source of funds:		
Funds generated from operations	$ 14,789	$ 11,899
Long-term debt issued	19,420	
Investments realized	2,264	1,703
Sale of property and equipment	274	309
Common shares issued	129	
	36,876	13,911
Application of funds:		
Property and equipment	8,563	5,032
Dividends	3,203	2,769
Investments	573	1,177
Long-term debt retired	590	810
Other	374	91
Preference shares		1,388
	13,303	11,267
Increase in working capital	23,573	2,644
Working capital at beginning of year	45,213	42,569
Working capital end of year	$ 68,786	$ 45,213
Analysis of increase in working capital:		
Decrease (increase) in current liabilities –		
Bank indebtedness	$ 39,893	$(16,657)
Accounts and taxes payable	(1,175)	1,586
Other	72	(332)
	38,790	(15,403)
Less decrease (increase) in current assets –		
Accounts receivable	5,883	(6,608)
Inventories	16,820	(9,738)
Other	(7,486)	(1,701)
	15,217	(18,047)
Increase in working capital	$ 23,573	$ 2,644

Consolidated balance sheet December 31, 1975

Assets

	1975	1974
	(000's omitted)	
Current:		
Marketable securities, at cost which approximates market	$ 5,003	$ 4,620
Accounts receivable	40,777	46,660
Deposits with The Canadian Wheat Board	8,470	6,262
Bankers' advances applicable thereto (note 4)	(1,640)	(6,262)
Inventories (note 1)	44,233	61,053
Prepaid expenses	1,179	906
Total current assets	98,022	113,239
Investments (note 1):		
Mortgages and other investments	2,088	3,200
Joint ventures	7,181	6,542
	9,269	9,742
Property and equipment (note 3)	40,153	35,093
Other:		
Unamortized debenture discount and expenses	760	224
Goodwill (note 1)	532	544
	1,292	768
	$148,736	$158,842

Liabilities

	1975	1974
	(000's omitted)	
Current:		
Bank indebtedness (note 4)	$ 4,833	$ 37,366
Notes payable		7,360
Accounts payable and accrued liabilities	19,316	18,790
Income and other taxes payable	1,743	1,094
Dividends payable	802	807
Allowance for disturbance costs (note 9)	2,542	2,609
Total current liabilities	29,236	68,026
Long-term debt (note 5)	31,654	12,236
Accrued pension costs (note 1)	1,870	1,683
Deferred income taxes (note 6)	6,710	5,271
Minority interest in subsidiaries:		
Preference shares	1,384	1,384
Common shares	3,174	2,825
	4,558	4,209
Shareholders' equity:		
Share capital (note 7)	5,409	5,280
Contributed surplus	606	606
Retained earnings (note 5)	68,693	61,531
	74,708	67,417
	$148,736	$158,842

On behalf of the Board:

Director

Director

Notes to consolidated financial statements

December 31, 1975

1. Summary of accounting policies

(a) Principles of consolidation –

The consolidated financial statements include the accounts of all subsidiaries. Their names and the company's interest therein are set out below:

Berwick Bakery Limited	69%
Canadian Bakeries Limited	99%
Corporate Foods Limited	63%
Eastern Bakeries Limited	69%
Maple Leaf Mills Investments Limited	100%
Maple Leaf Mills Properties Limited	100%
McLean Feed and Grain Limited	100%
Port Colborne & St. Lawrence Navigation Company Limited (non-operating)	100%
Toronto Elevators, Limited	100%

The excess of cost over book value of net assets of subsidiaries at dates of acquisition has been allocated to property and goodwill. Depreciation has been charged against earnings on amounts allocated to depreciable assets. Goodwill is amortized over its estimated life or forty years, whichever is less.

(b) Investments –

The equity method of accounting is used for investments in joint ventures. Mortgages and other investments are stated at cost less provisions for losses.

(c) Inventories –

Inventories are valued at the lower of average cost and replacement cost. Grains held for resale are generally hedged, where possible, to minimize risk due to price fluctuations. Inventories consist of the following:

	1975	1974
	(000's omitted)	
Grains held for resale	$ 8,819	$18,632
Finished products and materials held for production	35,414	42,421
	$44,233	$61,053

(d) Pension expense –

Pension expense consists of provision for current service costs, amortization of past service obligations and interest on unfunded amounts. Pension expense totalled $1,500,000 for the year ($1,100,000 in 1974). During the year, certain pension benefits were improved thereby giving rise to unfunded past service obligations of approximately $700,000. At December 31, unfunded past service obligations consisted of the following amounts:

	1975	1974
	(000's omitted)	
Accrued in current liabilities	$ 210	$ 272
Accrued in non-current liabilities	1,870	1,683
To be expensed over the next five years	1,320	845
	$3,400	$2,800

The company intends to fund these past service obligations plus accrued interest over the next fourteen years.

(e) Depreciation –

Depreciation is calculated on the straight-line method. The rates used, as set out below, are estimated to be sufficient to depreciate the cost of the assets to residual value over their useful lives:

Buildings	2% - 10% per annum
Machinery and equipment	6⅔% - 30% per annum
Automotive equipment	20% - 30% per annum

2. Change in accounting presentation

In 1974 and prior years, the company included in its reported sales figures only the commodity trading margins earned on the sale of certain commodities, principally grain and imported vegetable oils. In 1975, the company adopted the policy of including in sales the sales value of such items and including the related purchases in cost of sales. As a result of this change in presentation, which has no effect on earnings, sales and cost of sales in 1975 are $165,794,000 greater than by the former method. This change has been given retroactive treatment and accordingly, sales and cost of sales for 1974 have been increased by $190,075,000.

3. Property and equipment

	1975			1974
	(000's omitted)			
	Cost	Accumulated depreciation	Net	Net
Land and improvements	$ 2,754	$ 251	$ 2,503	$ 2,415
Buildings	36,666	16,058	20,608	18,343
Equipment	58,304	41,262	17,042	14,335
	$97,724	$57,571	$40,153	$35,093

4. Bankers' advances

Bankers' advances are secured by assignments of accounts receivable and security on inventories and on certain wheat held as agent of The Canadian Wheat Board.

5. Long-term debt

Long-term debt, excluding amounts due within one year included in accounts payable and accrued liabilities, consists of the following:

	1975	1974
	(000's omitted)	
Maple Leaf Mills Limited –		
5¾% Sinking Fund Debentures to mature December 1, 1981	$ 7,497	$ 8,000
11⅝% Sinking Fund Debentures to mature August 1, 1995	20,000	
Corporate Foods Limited –		
8½% Sinking Fund Debentures, Series A due December 15, 1988	3,837	3,971
Other	320	265
	$31,654	$12,236

Repayment requirements in the next five years are as follows: 1976 – $209,000; 1977 and 1978 – approximately $700,000 annually; 1979 and 1980 – approximately $1,550,000 annually.

The trust indentures securing the company's debentures contain convenants restricting the payment of dividends. Under the most restrictive covenant the amount of retained earnings available for payment of dividends was approximately $13,000,000 as at December 31, 1975.

6. Deferred income taxes

Income taxes charged to earnings in 1975 include deferred taxes of $1,440,000 ($632,000 in 1974).

7. Share capital

	1975	1974
	(000's omitted)	
Preference shares Class A, par value $100 each – Authorized – 75,000 shares, none issued		
Common shares without par value – Authorized – 4,000,000 shares, issued 1,611,504 of which 5,390 are held by a subsidiary	$5,409	$5,280

There are options outstanding on 23,650 common shares under the employees' stock option plan which become exercisable over a period of years to 1979 at prices ranging from $15 to $20 per share. During the year, 7,550 common shares were issued under the plan for $129,000.

8. Commitments and contingent liabilities

The company has signed an agreement to purchase the Calgary flour milling and bakery mix business of Pillsbury Canada Limited for $3,700,000 and, in addition, related raw materials inventory and accounts receivable. If acquired the company plans to spend $2,200,000 to modernize the mill. The company has given notice of the proposed acquisition to the Foreign Investment Review Agency and has delivered certain undertakings requested by the Agency. To date, March 5, 1976, the company has not received permission to proceed with the acquisition.

There are guarantees totalling $775,000 under lines of credit to joint venture companies on which the indebtedness at December 31, 1975 amounted to $288,000.

The company leases various premises and equipment on a long-term basis. Annual rental payments under these leases in 1975 and for the next five years approximate $300,000.

9. Expropriation and relocation

In May, 1973, the Government of Canada expropriated the company's Queen's Quay, Toronto property. Subsequently, the company received, without prejudice to its rights to claim additional compensation, $12.2 million for the expropriated property. In addition, a provisional allowance for disturbance costs has been received, which amount less costs incurred to date is included in current liabilities. The company also received a licence of occupation of the expropriated premises until November 30, 1977. The company has requested a one year extension of this licence because it does not appear possible to complete its relocation program by that date.

The company believes that it is entitled to further compensation in connection with the expropriation and has initiated legal proceedings in the Federal Court of Canada seeking additional compensation including an amount for machinery and equipment not included in the Government's initial offer.

At the Queen's Quay location, the company has its principal administrative offices and currently operates a terminal grain elevator and a vegetable oil extraction plant and refinery. Feed and pet food production facilities have been relocated to two new plants built during the year. It does not appear to be economical or operationally necessary to replace the terminal elevator.

On January 20, 1976 the company entered into an agreement providing for an equal partnership with Lever Brothers Limited to establish a vegetable oil extraction and refining operation in Southwestern Ontario. The estimated cost of these facilities to the partnership is $37,000,000, of which the company's share is $18,500,000, and when operating will replace the expropriated Queen's Quay vegetable oil production facilities. While a final decision on the site has not been made, the company has obtained options to purchase certain lands at Windsor, Ontario for the proposed partnership operation.

10. Anti-Inflation legislation

Effective October 14, 1975, the federal government passed an Anti-Inflation Act and subsequently issued Regulations which are presently scheduled to be in force until December 31, 1978. Under this legislation, the company is subject to mandatory compliance with controls on prices, profit margins, employee compensation and dividends. The effects on the company of the Regulations on prices, profit margins and employee compensation are not entirely clear owing to uncertainties as to interpretation. However, management is of the opinion that the company is in compliance with the Regulations.

Dividends to the company's shareholders during the year ending October 13, 1976 may not exceed $2.00 per share.

11. Other statutory information

Remuneration of directors and senior officers totalled $805,000 for the year.

12. Norin loan agreement

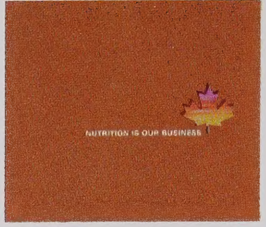
Under a loan agreement between Norin Corp., the controlling shareholder of the company, and certain banks, limitations are imposed on capital expenditures and borrowings by Norin Corp. and its subsidiaries (including the company) and the maintenance of certain financial ratios (including ratios determined by reference to the consolidated position of the company and its subsidiaries) is required. While the company is not a party to the loan agreement, these limitations and financial tests were established having regard to the company's future financial plans and requirements. Management does not anticipate that the existence of the loan agreement will affect the company's operations.

Seven year financial summary years ended December 31

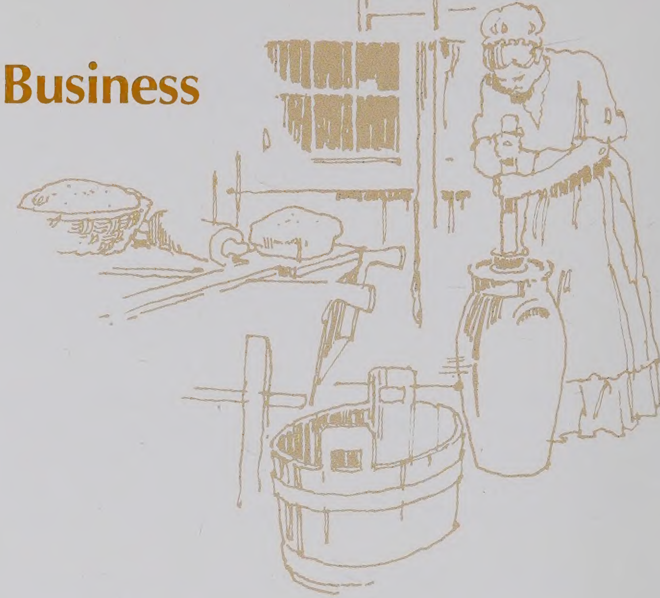
	1975	1974	1973	1972	1971	1970	1969
				(000's omitted)			
Operating results							
Net sales †	$520,584	$518,666	$389,728	$276,159	$277,041	$271,848	$278,270
Earnings before extraordinary items	10,365	8,381	7,859	3,150	1,737	2,225	2,847
Net earnings	10,365	8,381	16,931	3,777	2,566	2,225	2,552
Dividends	3,203	2,769	1,598	1,375	1,379	1,378	1,534
Cash flow from operations	14,789	11,899	12,655	6,392	5,107	5,787	6,248
Return on sales	2.0%	1.6%	2.0%	1.1%	.6%	.8%	1.0%

†The net sales for the years from 1969 to 1974 have been restated to reflect the 1975 change in accounting presentation.

	1975	1974	1973	1972	1971	1970	1969
Financial position							
Working capital	$ 68,786	$ 45,213	$ 42,569	$ 22,289	$ 20,782	$ 20,791	$21,561
Total assets	148,736	158,842	139,213	117,165	118,126	122,886	116,839
Long-term debt	31,654	12,236	12,994	13,716	13,844	14,619	15,174
Common shareholders' equity	74,708	67,417	61,845	46,474	44,028	42,795	41,947
Return on equity	14.6%	12.9%	*14.6%	8.1%	5.7%	5.0%	5.9%
*Excluding gain on expropriation							
Per common share							
Earnings before extraordinary items	$ 6.45	$ 5.19	$ 4.85	$ 1.90	$ 1.02	$ 1.33	$ 1.71
Net earnings	6.45	5.19	10.51	2.30	1.54	1.33	1.53
Dividends	2.00	1.70	.95	.80	.80	.80	.90
Shareholders' equity	46.36	42.03	38.56	28.99	27.47	26.75	26.22



Nutrition is our Business



Flour Division

Millers of flour and cereal products for bakeries, biscuit manufacturers and food processors; high protein flours for bread products; soft wheat flours for cookies, cakes, crackers and pretzels; specialty flours for manufacturers of soups, gravies and desserts; durum semolina for spaghetti, macaroni and other pasta products; rye and malt flours; manufacturers of bakery mixes and distributors of corn meal, corn flour, rolled oats and other ingredients to bakeries. Seven flour mills located across Canada capable of producing over 40,000 cwt. of flour a day serving both the domestic and export markets.

Grocery Products Division

Manufacturers of convenience mixes, cereals, flavour crystals and pet foods; CREAM OF THE WEST, PURITY, MONARCH flours, MONARCH cake, icing, pie crust, sponge pudding, muffin mixes, CHICKEN CRISP coating mix, TEA BISK, RED RIVER cereal, PURITY oats, JOLLY MILLER flavour crystals, THIRST ADE, POP drink mixes, MASTER pet foods; exclusive Canadian distributor of KITTY LITTER.

Grain Division

Merchandisers of milling wheat, feed wheat, oats, barley, corn, rye, soybeans and soybean meal; operator of two terminal elevators having a capacity of 9.4 million bushels; carries on an integrated grain merchandising and farm supply business under the name St. Clair Grain & Feeds, with country elevators and stores at eleven Southwestern Ontario locations; agent for The Canadian Wheat Board and the Ontario Wheat Producers' Marketing Board.

Vegetable Oil Division

Processors of oilseeds and refiners of vegetable oils; soybean oil for manufacturers of margarine, shortening, salad and cooking oils; soybean and linseed meals for livestock and poultry feeds; linseed and soybean oils for manufacturers of paints, varnishes, other surface coatings, caulking compounds, printing inks and plastics; importers of palm, palm kernel, coconut, caster and tung oils.

Agricultural Division

Manufacturers of scientifically balanced Master brand livestock and poultry feeds, with 15 plants and markets in 10 Canadian provinces; 39 Master Feed farm service centres selling a variety of farm products; major Canadian supplier of forage seed, lawn seed (including the 0217 FYLKING Kentucky Blue Grass and LION trade names), and seed corn through independent commissioned agents in Ontario, Quebec and Western Canada; poultry hatching, growing and processing operators mainly under the PINECREST trade name.

International Division

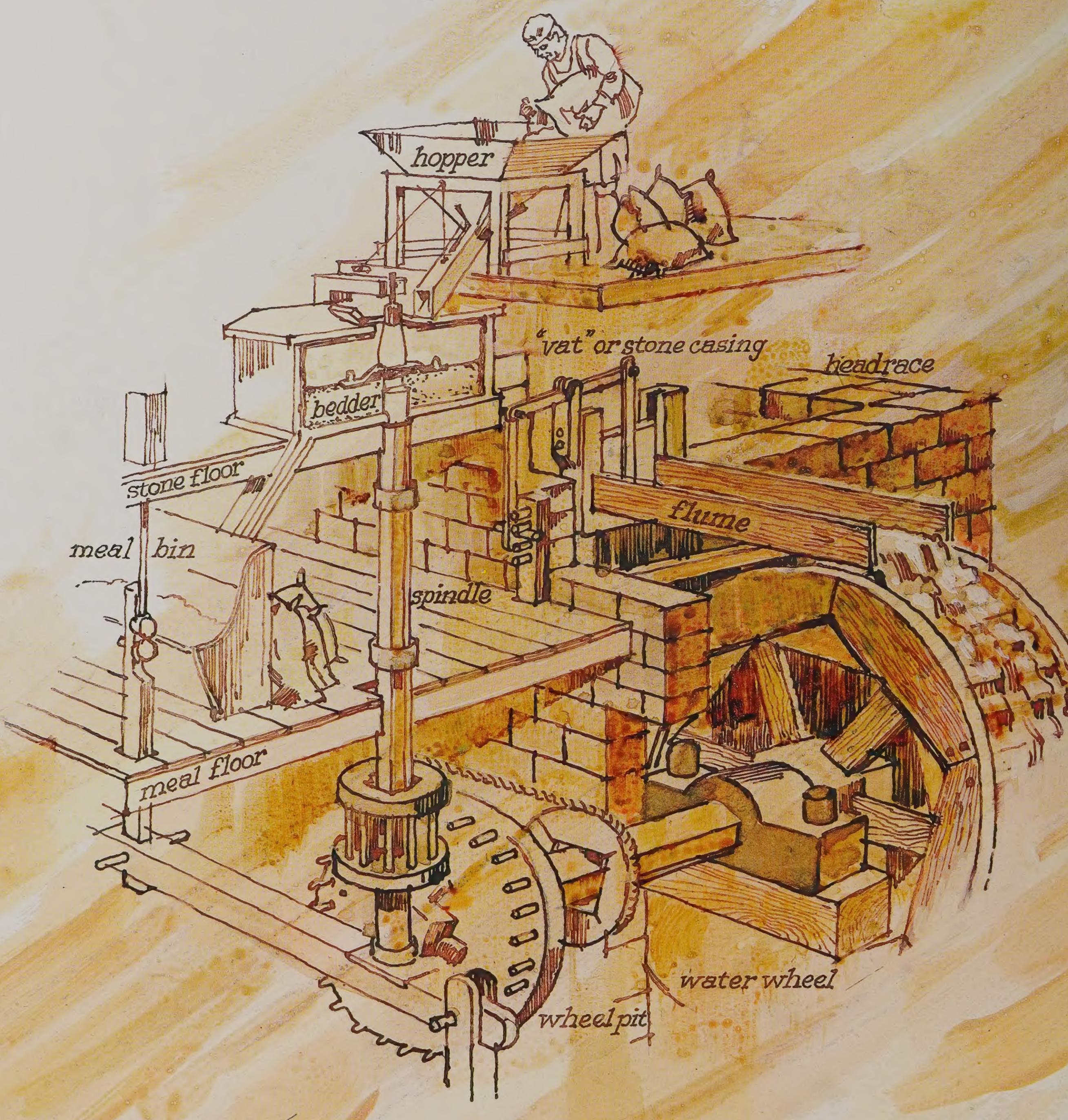
Management of La Minoterie d'Haiti, state-owned flour mill; management and part ownership of National Flour Mills Limited, Trinidad and Tobago; part ownership, Arlequin Food Products, Haiti, macaroni manufacturer; Canadian supply agent, Jamaica Nutrition Holdings Limited; international grain trading.

Associated Bakeries

Eastern Bakeries Limited in the Atlantic Provinces, manufacturers of fresh bakery foods, BUTTER-NUT, SUNNY BEE, FUN BUNS, COUNTRY KITCHENS trade names, three bakeries and regional distribution depots.

Corporate Foods Limited in Ontario and Quebec, manufacturers of fresh and frozen bakery foods, TOASTMASTER, DEMPSTER'S, GAINSBOROUGH, ARNOLD trade names, four bakeries and regional distribution centres (also part ownership in Robin LePain Modern, Inc., Quebec; and Purity Bakeries Limited, Barbados).

McGavin ToastMaster Limited in Western Canada, manufacturers of fresh bakery foods, McGAVIN TOASTMASTER, MOTHER HUBBARD, PINERIDGE FARM and McDONALD'S trade names, 11 bakeries.


hopper
"vat" or stone casing
headrace
bedder
stone floor
flume
meal bin
spindle
meal floor
water wheel
wheel pit